

Retail Reconsidered

Know your Conscious Consumer

**KL Stores: A case study series
exploring innovation in retail**

Retail reconsidered

Part 1: Know your Conscious Consumer

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Fashionistas: Green is definitely the new black.

“Sustainable”; “eco-friendly”; “ethical”; “conscious”; “transparency”; “traceability”; “organic”; and “vegan” are not words that traditionally describe attributes that would impact upon a consumer’s decision making process – but the world is changing – quickly.

Programmes like Blue Planet (which brought home to people on their sofas the true extent of the damage being done by single use plastics to our oceans), and Panorama (which has opened peoples eyes to scandals such as the use of child labour in the manufacturing of clothes sold on our high street and widespread dumping of toxic biproducts), consumers are increasingly looking at the sociological and environmental impact of their buying decisions. There is no universal definition to describe consumers who base their decision making on such factors and we therefore adopt the definition of “conscious consumer” for the purposes of this article.

The rise of conscious consumerism in the fashion industry has garnered significant media and online attention – stories of this type are never far from the headlines. Dr Martens reported a 70% surge in profits this year and one of the factors attributed to the brand’s success is the popularity of its vegan range of boots (reflecting an increased awareness of the impact of livestock on the environment). There is also a continuous stream of brands pledging to being “sustainable” by a given target date (such as Zara by 2025).

In this article, we return to our KL Store case study and a meeting between Andrew (the CEO) and Richard (the Corporate Responsibility Officer) to discuss how KL Store is already addressing this new market of conscious consumers and what further action it could take to maximise its appeal to consumers of this type.

And back to the meeting room...

A - So what’s all this about green being the new black and aren’t we doing lots already?

R - Yes and no. We’re taking steps to help reduce our impact but there’s certainly room for improvement and I’m not sure our consumers really know what we’re doing behind the scenes. So perhaps we need to also improve our messaging so consumers know that they can make positive purchasing decisions with us.

A - So what are we doing from an environmental perspective?

Well we’re doing our bit to reduce plastic waste by:

- replacing plastic bags in our stores with recyclable paper bags;
- reducing the amount of packaging we use when shipping from our ecom site;
- giving staff reusable drinks bottles; and
- we’ve installed drinking fountains in all our stores to encourage our customers to use their refillable bottles instead of single use bottles.

A - Is there anything else we can be doing on the helping people front?

R - Well we could introduce a policy like TOMS or Warby Parker whereby we agree that for every product bought we'll donate a product to charity.

For every pair of shoes TOMS sells or pair of glasses sold by Warby Parker, they donate a pair to a person in need. It's a fantastic project from a charitable perspective but it also helped to create a lot of buzz around the brands and hugely accelerated growth. We could do something similar, or perhaps we could pledge to put aside a certain amount from each sale for that to then be spent on skills training in developing countries to help build up the local economies. Warby Parker doesn't just donate a pair of glasses for every pair sold it also provides training opportunities to administer basic eye exams.

I've always been impressed by Patagonia's "1% for the planet" pledge. Since 1985 it's given 1% of its sales revenue to the preservation and restoration of the natural environment. It's now a formal alliance that a number of big businesses have joined, perhaps we should consider joining as well.

Those all sound like they could be great opportunities for us to help make a difference whilst gaining some helpful brand exposure at the same time.

A - Great, let's look into options for that as well then.

Provisions can be included in contracts – such as manufacturing and supply agreements – that contractually oblige the manufacturer / supplier to abide by certain standards. The right to terminate such an agreement in the event of the failure to abide by those standards can also be included. The fear of losing a contract in a competitive market is valuable leverage to ensure such terms are complied with.

In terms of the mechanics – policy documents can be included as schedules (such as a modern slavery and human trafficking policy; ethics policy; and/or an environmental policy). Compliance with the requirements of those policies can then be turned into a positive contractual obligation entitling you to terminate the contract in the event of non-compliance.

The use of such policies allows you to set standards around important issues such as:

- working conditions
- minimum age of employees;
- prohibiting the use of toxic chemicals; and
- disposal of waste and the use of hazardous materials.

Inspection rights can also be drafted into agreements to give you the right to audit whether the policies are being adhered to.

Careful consideration needs to be given to identifying the correct charity to partner with for projects of this type. Whilst these initiatives can make a real difference socially whilst generating positive publicity, there is also the potential for a PR disaster if the chosen charity (that could be located in a different continent) does not uphold its end of the bargain. It could for example, actually seek to turn a profit on the "charitable" stock or fail completely to distribute the stock.

Thorough due diligence on the charity partner and robust contractual protection are therefore essential to ensure that projects of this type remain the good news stories that they should.

A - What about our products themselves, is there any room to do anything with those?

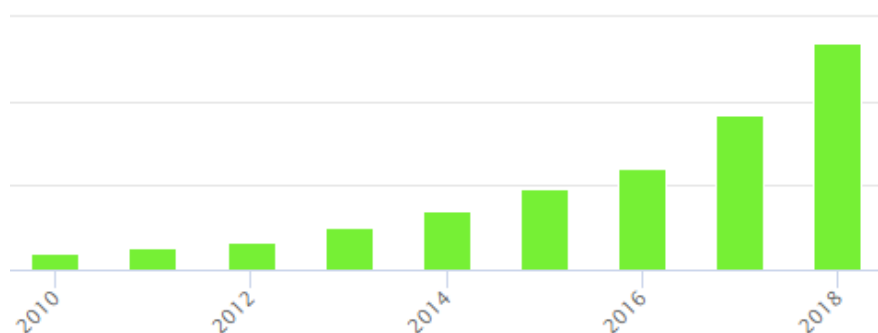
R - Yes lots. There's a real drive to incorporate recycled materials into new products. There's even a push towards the use of non conventional recycled materials and funnily enough, it's actually becoming a distinguishing feature that can be used to market the product.

Adidas have launched a trainer range that have soles made from recycled ocean plastics, the products have had incredible coverage. Sunski's sunglasses that are made from plastic scraps that would otherwise end up in landfill have also been extremely successful

I also saw a company that specialises in turning inflatables and festival tents into bags and they made it onto the 6o'clock news! I doubt they'd ever have managed to get coverage of that type without the recycling angle.

A - Is there any way we could make our products more eco friendly in this way?

R - Funny you should ask that. I was talking to Julia, one of our lead product developers, last week and she mentioned an idea she'd had about how we might be able to create a new range of re-cycled products from all the old plastic bags we are no longer using. Julia's background was in chemistry before she joined us and she seems to really know her stuff. She's got an idea that would transform the plastic bags into a material we could then use. I mentioned the idea to our lawyers and they said we should think about the possibility of patenting it. Apparently there's been a real surge in patent applications for eco-friendly solutions. If we had a patent, we could licence use of the idea to reduce the number of plastic bags going to landfill whilst providing a new revenue stream for us as well. I recently heard about a patent for an invention that recycles used chewing gum into a reusable rubber that's now being used in shoe soles!



The above chart shows the results of a simple search of the number of live patents and patent applications that relate to re-cycling since 2010. The trend speaks itself, there is a huge drive to identify and protect inventions of this type.

Ideas and inventions may be patentable where they are new (i.e. are not in the public domain), involve an inventive step (i.e. are not obvious) and are capable of being used or made. Patents can be extremely valuable assets and provide the right holder with the ability to generate revenue from licencing use of the patent.

So conscious consumers are here to stay, and we think that should be celebrated. Whilst they present a challenge to some historic practices, they also present an opportunity to distinguish your business from competitors whilst benefitting the environment and society more general – which is surely a win-win.

As this article shows, there are legal elements to transforming your business into a more consumer conscious operation and we would be happy to discuss that transformation with you. If you would like more information, please don't hesitate in getting in touch.

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